

**PALMYRA TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2008

**WITH
INDEPENDENT AUDITORS' REPORT**

**PALMYRA TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

INDEPENDENT AUDITORS' REPORT

TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
Management's Discussion and Analysis	i – vi
Independent Auditors' Report	1 – 2
Basic Financial Statements:	
<i>Government-wide Financial Statements</i>	
Statement of Net Assets	3
Statement of Activities	4 – 5
<i>Fund Financial Statements</i>	
Balance Sheet – Governmental Funds	6
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	7
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Net Assets	9
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	10 – 11
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Cemetery Operating – Special Revenue Fund	12
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Debt Service Fund	13
Statements of Net Assets – Proprietary Fund	14
Statements of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Fund	15
Statements of Cash Flows – Proprietary Fund	16
Statements of Net Assets – Fiduciary Fund	17
Statement of Changes in Assets and Liabilities – Fiduciary Fund – Tax Account	18
Notes to Financial Statements	19 – 35
Supplementary Information:	
Combining Balance Sheet – Debt Service Fund	36
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Debt Service Fund	37

**PALMYRA TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended March 31, 2008

As management of Palmyra Township, Lenawee County, Michigan, we offer readers of Palmyra Township, Lenawee County, Michigan's financial statements this narrative overview and analysis of the financial activities of Palmyra Township, Lenawee County, Michigan for the fiscal year ended March 31, 2008. We encourage readers to consider the information presented here.

Financial Highlights

- ◆ The assets of Palmyra Township, Lenawee County, Michigan exceeded its liabilities at the close of the most recent fiscal year \$1,839,799 (*net assets*). Of this amount, \$522,663 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- ◆ The government's total net assets increased \$196,159.
- ◆ As of the close of the current year, Palmyra Township, Lenawee County, Michigan's governmental funds reported combined ending fund balances of \$658,575 a increase of \$48,971 in comparison with the prior year.
- ◆ At the end of the current year, unreserved fund balance for the general fund was \$572,961 or 150 percent of total general fund expenditures.
- ◆ Palmyra Township, Lenawee County, Michigan's total debt was \$2,412,047 at March 31, 2008. The debt was reduced by \$149,773 during fiscal year 2007-08.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Palmyra Township, Lenawee County, Michigan's basic financial statements. Palmyra Township, Lenawee County, Michigan's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Palmyra Township, Lenawee County, Michigan's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of Palmyra Township, Lenawee County, Michigan's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Palmyra Township, Lenawee County, Michigan is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of Palmyra Township, Lenawee County, Michigan that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of Palmyra Township, Lenawee County, Michigan include general government, public safety, streets and highways, sanitation, and cemetery operating. The business-type activity of Palmyra Township, Lenawee County, Michigan is the sewer system.

The government-wide financial statements can be found on pages 3 – 5 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Palmyra Township, Lenawee County, Michigan, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Palmyra Township, Lenawee County, Michigan can be divided into three categories: governmental, proprietary, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Palmyra Township, Lenawee County, Michigan maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Cemetery Operating, Debt Service, and Cemetery Perpetual Care, which are considered to be major funds.

Palmyra Township, Lenawee County, Michigan adopts an annual appropriated budget for all funds. A budgetary comparison statement has been provided for all major governmental funds to demonstrate compliance with budget.

The basic governmental fund financial statements can be found on pages 6 – 13 of this report.

Proprietary Fund. Palmyra Township, Lenawee County, Michigan maintains one type of Proprietary Fund. *Enterprise Funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Palmyra Township, Lenawee County, Michigan uses an Enterprise Fund to account for its Sewer Fund.

Proprietary Funds provide the same type of information as the government-wide financial statements, only in more detail. The Proprietary Fund financial statements provide information for the Sewer Fund, which is considered to be major fund of Palmyra Township, Lenawee County, Michigan.

The basic fund financial statements can be found on pages 14 – 16 of this report.

Fiduciary Fund. The Fiduciary Fund (Tax Account) is used to account for resources held under tax collection activity. The Fiduciary fund is *not* reflected in the government-wide financial statement. The accounting used for the Fiduciary Fund is much like that used for Proprietary Funds.

The basic fiduciary fund financial statements can be found on pages 17 – 18 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 – 35 of this report.

Other information. The combining statements for the two debt service funds are presented immediately following the notes to the financial statements. Combining statements can be found on pages 36 – 37 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Palmyra Township, Lenawee County, Michigan, assets exceeded liabilities by \$1,839,799 at the close of the most recent fiscal year.

A large portion of Palmyra Township, Lenawee County, Michigan's net assets (40 percent) reflects its investment in capital assets (e.g., land, buildings, equipment, sewer system), less any related debt used to acquire those assets that is still outstanding. Palmyra Township, Lenawee County, Michigan uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Palmyra Township, Lenawee County, Michigan's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Palmyra Township, Lenawee County, Michigan's Net Assets

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>2008 Total</u>	<u>2007 Total</u>
Current and other assets	\$ 846,274	\$ 2,450,457	\$ 3,296,731	\$ 3,485,756
Capital assets	<u>316,424</u>	<u>2,839,789</u>	<u>3,156,213</u>	<u>3,097,861</u>
Total assets	<u>\$ 1,162,698</u>	<u>\$ 5,290,246</u>	<u>\$ 6,452,944</u>	<u>\$ 6,583,617</u>
Long term liabilities outstanding	190,000	2,222,048	2,412,048	2,561,820
Other liabilities	<u>187,699</u>	<u>2,013,398</u>	<u>2,201,097</u>	<u>2,378,157</u>
Total liabilities	<u>\$ 377,699</u>	<u>\$ 4,235,446</u>	<u>\$ 4,613,145</u>	<u>\$ 4,939,977</u>
Net assets:				
Invested in capital assets, net of related debt	126,424	617,741	744,165	536,041
Restricted	572,971		572,971	602,945
Unrestricted	<u>85,604</u>	<u>437,059</u>	<u>522,663</u>	<u>504,654</u>
Total net assets	<u>\$ 784,999</u>	<u>\$ 1,054,800</u>	<u>\$ 1,839,799</u>	<u>\$ 1,643,640</u>

A portion of Palmyra Township, Lenawee County, Michigan's net assets (31 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$522,663) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Palmyra Township, Lenawee County, Michigan is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Financial Analysis of the Government's Funds

As noted earlier, Palmyra Township, Lenawee County, Michigan uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of Palmyra Township, Lenawee County, Michigan's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Palmyra Township, Lenawee County, Michigan's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of this fiscal year.

As of the end of the current fiscal year, Palmyra Township, Lenawee County, Michigan's governmental funds reported combined ending fund balances of \$658,575, an increase of \$48,971 in comparison with the prior year. The Special Revenue Fund (Cemetery Operating) has \$1,425 available for their special uses.

The general fund is the chief operating fund of Palmyra Township, Lenawee County, Michigan. At the end of the current fiscal year, unreserved fund balance of the general fund was \$572,961.

The fund balance of Palmyra Township, Lenawee County, Michigan's general fund increased by \$42,005 during the current fiscal year.

Proprietary Fund - Palmyra Township, Lenawee County, Michigan's Proprietary Funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Sewer Fund at the end of the year amounted to \$437,059.

General Fund Budgetary Highlights

There were no amendments to the original budget. A major difference in actual expense compared to budget was fire and ambulance service exceeded budget by \$25,282. The reason for the difference was increased services needed which also provided increased revenue.

Capital Asset and Debt Administration

Capital assets. Palmyra Township, Lenawee County, Michigan's investment in capital assets for its governmental and business-type activities as of March 31, 2008, amounts to \$3,156,213 (net of accumulated depreciation). This investment in capital assets includes land, buildings and utility system, furniture and equipment, and fire vehicles and equipment. The total increase in Palmyra Township, Lenawee County, Michigan's investment in capital assets for the current fiscal year was \$157,013.

There was \$157,013 improvements to the sewer system.

Palmyra Township, Lenawee County, Michigan's Capital Assets

	Governmental Activities	Business-type Activities	2008 Total	2007 Total
Land	\$ 93,898	\$	\$ 93,898	\$ 93,898
Buildings	9,523		9,523	9,794
Furniture and equipment	4,005		4,005	5,156
Fire vehicles and equipment	208,998		208,998	231,558
Sewer system		2,839,789	2,839,789	2,757,455
Total	\$ 316,424	\$ 2,839,789	\$ 3,156,213	\$ 3,097,861

Additional information on Palmyra Township's capital assets can be found in Note 3 C. on pages 27 and 28.

Long-term debt. At the end of the current fiscal year, Palmyra Township, Lenawee County, Michigan had total debt outstanding of \$2,412,047. The debt represents the following:

**Palmyra Township, Lenawee County, Michigan's
Outstanding Debt Revenue Bonds**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Special assessment bonds	\$ 190,000	\$
Sewer bonds		755,059
Sewer – SRF loan	<u> </u>	<u>1,466,988</u>
Total	<u>\$ 190,000</u>	<u>\$ 2,222,047</u>

Additional information on Palmyra Township, Lenawee County, Michigan's long-term debt can be found in Note 5, on pages 31 – 35 of this report.

Economic Factors and Next Year's Budgets and Rates

Assumptions for the fiscal year 2007-08 budget year are the same as prior year revenues from property tax, state revenue and impact fees.

Expense should be consistent with the prior year except more will be spent for fire and ambulance services.

Requests for Information

This financial report is designed to provide a general overview of Palmyra Township, Lenawee County, Michigan's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Palmyra Township, % Richard Jackson, Clerk, 6081 East U.S. 223, Palmyra, Michigan 49268.

August 11, 2008

INDEPENDENT AUDITORS' REPORT

Palmyra Township
Lenawee County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Palmyra Township, Lenawee County, Michigan, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Palmyra Township, Lenawee County, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Palmyra Township, Lenawee County, Michigan, as of March 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages i through vi is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Page 2

August 11, 2008

Palmyra Township
Lenawee County, Michigan

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Palmyra Township, Lenawee County, Michigan's basic financial statements. The combining major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Robertson, Eaton & Owen, P.C.

**PALMYRA TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

STATEMENT OF NET ASSETS

March 31, 2008
With Comparative Totals for March 31, 2007

	PRIMARY GOVERNMENT			Total
	Governmental Activities	Business Activities	2008	2007
ASSETS:				
Cash and cash equivalents	\$ 192,061	\$ 424,739	\$ 616,800	\$ 645,115
Investments	456,008		456,008	440,785
Taxes receivable	4,755		4,755	3,634
Special assessments receivable	157,138	2,025,718	2,182,856	2,350,203
Accounts receivable	5,917		5,917	5,187
Sewer project receivables	14,454		14,454	14,454
Due from other governmental units	15,936		15,936	26,373
Due from tax account	5		5	5
Capital assets:				
Land	93,898		93,898	93,898
Buildings	141,280		141,280	141,280
Equipment and furniture	11,925		11,925	11,925
Fire vehicles	398,140		398,140	398,140
Fire equipment	152,102		152,102	152,102
Sewer system		3,065,700	3,065,700	2,908,687
Less: Accumulated depreciation	<u>(480,921)</u>	<u>(225,911)</u>	<u>(706,832)</u>	<u>(608,171)</u>
Total assets	<u>\$ 1,162,698</u>	<u>\$ 5,290,246</u>	<u>\$ 6,452,944</u>	<u>\$ 6,583,617</u>
LIABILITIES:				
Accounts payable	28,937		28,937	26,561
Accrued liabilities	1,624		1,624	1,393
Deferred revenue – special assessment	157,138	2,013,398	2,170,536	2,350,203
Noncurrent liabilities:				
Due within one year	30,000	125,766	155,766	134,772
Due in more than one year	<u>160,000</u>	<u>2,096,282</u>	<u>2,256,282</u>	<u>2,427,048</u>
Total liabilities	<u>377,699</u>	<u>4,235,446</u>	<u>4,613,145</u>	<u>4,939,977</u>
NET ASSETS:				
Invested in capital assets, net of related debt	126,424	617,741	744,165	536,041
Restricted for:				
Perpetual care	46,300		46,300	47,800
Fire apparatus and operating	78,752		78,752	78,752
Fire savings	551		551	551
Fire department donations	6,255		6,255	7,196
D1 RMRC PL project	492		492	582
State right of way	13,811		13,811	10,399
Impact fees	388,921		388,921	426,846
Debt service	37,889		37,889	30,819
Unrestricted	<u>85,604</u>	<u>437,059</u>	<u>522,663</u>	<u>504,654</u>
Total net assets	<u>\$ 784,999</u>	<u>\$ 1,054,800</u>	<u>\$ 1,839,799</u>	<u>\$ 1,643,640</u>

The notes to the financial statements are an integral part of this statement.

**PALMYRA TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

STATEMENT OF ACTIVITIES

**For the Year Ended March 31, 2008
With Comparative Totals for the Year Ended March 31, 2007**

<u>Program Revenues</u>				
<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
General government	\$ 134,932	\$	\$	\$
Public safety	173,705	84,155		
Highways, streets, and bridges	94,134			
Sanitation	3,624			
Cemetery operating expenses	14,028	75		
Interest and Long Term Debt	<u>10,968</u>	<u></u>	<u></u>	<u></u>
Total governmental activities	<u>431,391</u>	<u>84,230</u>	<u>-</u>	<u>-</u>
Business-Type Activities:				
Sewer Fund	<u>147,846</u>	<u>22,252</u>	<u></u>	<u></u>
Total business-type activities	<u>147,846</u>	<u>22,252</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 579,237</u>	<u>\$ 106,482</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:

Property taxes
Intergovernmental – State
Licenses and permits
Interest income
Lot sales
Special assessments
Impact fees
Miscellaneous

Total general revenues

Change in net assets

Net assets – beginning of year

Adjustment for Debt Obligation

Net assets – end of year

The notes to the financial statements are an integral part of this statement.

**Net (Expense) Revenue and Changes in Net Assets
Primary Government**

Governmental Activities	Business-Type Activities	2008	Total 2007
\$ (134,932)	\$	\$ (134,932)	\$ (141,637)
(89,550)		(89,550)	(131,401)
(94,134)		(94,134)	(199,719)
(3,624)		(3,624)	(3,087)
(13,953)		(13,953)	(11,610)
(10,968)		(10,968)	(12,420)
<u>(347,161)</u>	<u>-</u>	<u>(347,161)</u>	<u>(499,874)</u>
	(125,594)	(125,594)	(138,859)
-	(125,594)	(125,594)	(138,859)
<u>\$ (347,161)</u>	<u>\$ (125,594)</u>	<u>\$ (472,755)</u>	<u>\$ (638,733)</u>
69,458		69,458	67,608
162,370		162,370	161,026
2,789		2,789	1,595
30,706	107,134	137,840	129,580
300		300	1,200
31,725	164,630	196,355	130,709
84,277		84,277	86,739
15,525		15,525	26,722
<u>397,150</u>	<u>271,764</u>	<u>668,914</u>	<u>605,179</u>
49,989	146,170	196,159	(33,554)
735,010	908,630	1,643,640	1,677,194
<u>\$ 784,999</u>	<u>\$ 1,054,800</u>	<u>\$ 1,839,799</u>	<u>\$ 1,643,640</u>

**PALMYRA TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

BALANCE SHEET

GOVERNMENTAL FUNDS

**March 31, 2008
With Comparative Totals for March 31, 2007**

	<u>Special Revenue</u>			<u>Permanent Fund</u>	<u>Total Governmental Funds</u>	
	<u>General Fund</u>	<u>Cemetery Operating</u>	<u>Debt Service</u>	<u>Cemetery Perpetual Care</u>	<u>2008</u>	<u>2007</u>
ASSETS:						
Cash and cash equivalents	\$ 151,014	\$ 858	\$ 37,889	\$ 2,300	\$ 192,061	\$ 147,120
Investments	412,008			44,000	456,008	440,785
Receivables:						
Accounts	5,917				5,917	5,187
Taxes	4,755				4,755	3,634
Special assessments			157,138		157,138	189,122
Sewer project	14,454				14,454	14,454
Due from other funds	5	1,550			1,555	1,555
Due from other governments	<u>15,936</u>	<u> </u>	<u> </u>	<u> </u>	<u>15,936</u>	<u>26,373</u>
Total assets	<u>\$ 604,089</u>	<u>\$ 2,408</u>	<u>\$ 195,027</u>	<u>\$ 46,300</u>	<u>\$ 847,824</u>	<u>\$ 828,230</u>
LIABILITIES:						
Accounts payable	27,954	983			28,937	26,561
Accrued liabilities	1,624				1,624	1,393
Due to other funds	1,550				1,550	1,550
Deferred revenue	<u> </u>	<u> </u>	<u>157,138</u>	<u> </u>	<u>157,138</u>	<u>189,122</u>
Total liabilities	<u>31,128</u>	<u>983</u>	<u>157,138</u>	<u>-</u>	<u>189,249</u>	<u>218,626</u>
FUND BALANCES:						
Reserved for:						
Perpetual care				46,300	46,300	47,800
Fire apparatus and operating	78,752				78,752	78,752
Fire savings	551				551	551
Fire department donations	6,255				6,255	7,196
D1 RMRC PL project	492				492	582
State right of way	13,811				13,811	10,399
Impact fees	388,921				388,921	426,846
Debt service			37,889		37,889	30,819
Unreserved, reported in:						
General Fund	84,179				84,179	6,630
Special Revenue Fund	<u> </u>	<u>1,425</u>	<u> </u>	<u> </u>	<u>1,425</u>	<u>29</u>
Total fund balances	<u>572,961</u>	<u>1,425</u>	<u>37,889</u>	<u>46,300</u>	<u>658,575</u>	<u>609,604</u>
Total liabilities and fund balances	<u>\$ 604,089</u>	<u>\$ 2,408</u>	<u>\$ 195,027</u>	<u>\$ 46,300</u>	<u>\$ 847,824</u>	<u>\$ 828,230</u>

The notes to the financial statements are an integral part of this statement.

**PALMYRA TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**

March 31, 2008

Amounts reported for governmental activities in the
Statement of Net Assets are different because

Capital assets used in governmental activities are are not financial resources and, therefore, are not reported in the governmental funds.	\$ 316,424
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Bond and loan indebtedness are recognized in the governmental funds when paid and not when accrued.	<u>(190,000)</u>
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Net differences	126,424
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Total fund balance in governmental funds	<u>658,575</u>
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Total net assets of governmental activities	<u>\$ 784,999</u>
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The notes to the financial statements are an integral part of this statement.

**PALMYRA TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –

GOVERNMENTAL FUNDS

**For the Year Ended March 31, 2008
With Comparative Totals for the Year Ended March 31, 2007**

	<u>Special Revenue</u>		<u>Permanent Fund</u>		<u>Total Governmental Funds</u>	
	<u>General Fund</u>	<u>Cemetery Operating</u>	<u>Debt Service</u>	<u>Cemetery Perpetual Care</u>	<u>2008</u>	<u>2007</u>
Revenues:						
Property taxes	\$ 69,458	\$	\$	\$	\$ 69,458	\$ 67,608
Licenses and permits	2,789				2,789	1,595
Public safety	84,155				84,155	32,637
Intergovernmental revenues	162,370				162,370	161,026
Miscellaneous revenues	12,113				12,113	23,281
Lot sales and fees		375			375	1,300
Special assessments			31,725		31,725	15,240
Interest	17,844	9	11,313	1,540	30,706	27,909
Impact fees	84,277				84,277	86,739
Maintenance fee	3,412				3,412	3,441
Total revenues	<u>436,418</u>	<u>384</u>	<u>43,038</u>	<u>1,540</u>	<u>481,380</u>	<u>420,776</u>
Expenditures:						
Current:						
General government	133,510				133,510	140,215
Public safety	151,145				151,145	141,478
Highways, streets, and bridges	94,134				94,134	199,719
Cemetery operating expenses		14,028			14,028	11,710
Sanitation	3,624				3,624	3,087
Debt service:						
Principal			25,000		25,000	45,000
Interest and bank fees			10,968		10,968	12,420
Total expenditures	<u>382,413</u>	<u>14,028</u>	<u>35,968</u>	<u>-</u>	<u>432,409</u>	<u>553,629</u>
Excess (deficiency) of revenues over (under) expenditures	<u>54,005</u>	<u>(13,644)</u>	<u>7,070</u>	<u>1,540</u>	<u>48,971</u>	<u>(132,853)</u>
Other financing sources (uses):						
Transfers in		15,040			15,040	9,886
Transfers out	(12,000)			(3,040)	(15,040)	(9,886)
Total other financing sources (uses)	<u>(12,000)</u>	<u>15,040</u>	<u>-</u>	<u>(3,040)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	42,005	1,396	7,070	(1,500)	48,971	(132,853)
Fund balances - beginning of year	<u>530,956</u>	<u>29</u>	<u>30,819</u>	<u>47,800</u>	<u>609,604</u>	<u>742,457</u>
Fund balances - end of year	<u>\$ 572,961</u>	<u>\$ 1,425</u>	<u>\$ 37,889</u>	<u>\$ 46,300</u>	<u>\$ 658,575</u>	<u>\$ 609,604</u>

The notes to the financial statements are an integral part of this statement.

**PALMYRA TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**

March 31, 2008

Amounts reported for governmental activities in the
Statement of Activities are different because:

Net change in fund balance – total governmental funds	\$ 48,971
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Governmental funds report capital outlays as expenditures.
However, in the Statement of Activities, the cost of those
assets is allocated over their estimated useful lives and
reported as depreciation expense. This is the amount by
which capital outlays exceeded depreciation in the current
period. (Total capital outlay \$0 depreciation
\$23,982).

(23,982)

The repayment of the principal of long-term debt consumes
the current financial resources of governmental funds.
However, this has no effect on net assets. The principal
payment amount was:

25,000

Change in net assets in governmental activities

\$ 49,989

The notes to the financial statements are an integral part of this statement.

PALMYRA TOWNSHIP
LENAWEE COUNTY, MICHIGAN

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

For the Year Ended March 31, 2008

	Budgeted Amounts			Variance with
	Original	Final	Actual Amounts	Final Budget - Positive (Negative)
Revenues:				
Property taxes:				
General	\$ 63,600	\$ 63,600	\$ 69,458	\$ 5,858
Licenses and permits:				
Dog licenses			237	237
Franchise fees	2,000	2,000	2,552	552
Total licenses and permits	2,000	2,000	2,789	789
Public Safety:				
Ambulance service	15,000	15,000	73,403	58,403
Inspection fees	14,000	14,000	10,752	(3,248)
Total public safety	29,000	29,000	84,155	55,155
Intergovernmental revenues:				
State shared revenues	150,000	150,000	162,370	12,370
Miscellaneous revenues:				
Refunds and dividends	2,000	2,000	1,549	(451)
Hall rent	3,000	3,000	2,750	(250)
Zoning hearings/land division	2,500	2,500	1,420	(1,080)
Miscellaneous	3,000	3,000	4,394	1,394
Donations			2,000	2,000
Total miscellaneous revenues	10,500	10,500	12,113	1,613
Maintenance fee	3,000	3,000	3,412	412
Interest	12,000	12,000	17,844	5,844
Impact fees	80,000	80,000	84,277	4,277
Total revenues	350,100	350,100	436,418	86,318

The notes to the financial statements are an integral part of this statement.

**PALMYRA TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL**

For the Year Ended March 31, 2008

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
Expenditures:				
General Government				
Supervisor	\$ 10,500	\$ 10,500	\$ 11,545	\$ (1,045)
Clerk	10,500	10,500	12,028	(1,528)
Treasurer	10,500	10,500	12,616	(2,116)
Assessor	20,000	20,000	16,716	3,284
Township Board	78,600	78,600	57,477	21,123
Board of Review	600	600	1,415	(815)
Zoning	3,500	3,500	3,731	(231)
Community Building	8,500	8,500	12,803	(4,303)
Ordinance enforcement	3,500	3,500	4,036	(536)
Election			1,143	(1,143)
Total General Government	<u>146,200</u>	<u>146,200</u>	<u>133,510</u>	<u>12,690</u>
Public Safety:				
Fire Department and ambulance service	108,000	108,000	133,282	(25,282)
Street lights	4,500	4,500	4,166	334
Building and electrical Inspections	15,000	15,000	10,652	4,348
Plumbing/Mechanical Inspections	<u>5,000</u>	<u>5,000</u>	<u>3,045</u>	<u>1,955</u>
Total Public Safety	<u>132,500</u>	<u>132,500</u>	<u>151,145</u>	<u>(18,645)</u>
Highways, streets and bridges	<u>150,000</u>	<u>150,000</u>	<u>94,134</u>	<u>55,866</u>
Sanitation:				
Drain at large	<u>5,000</u>	<u>5,000</u>	<u>3,624</u>	<u>1,376</u>
Total expenditures	<u>433,700</u>	<u>433,700</u>	<u>382,413</u>	<u>51,287</u>
Excess (deficiency) or revenues over (under) expenditures	(83,600)	(83,600)	54,005	137,605
Other financing uses:				
Transfers out	<u>(10,000)</u>	<u>(10,000)</u>	<u>(12,000)</u>	<u>(2,000)</u>
Net change in fund balance	(93,600)	(93,600)	42,005	135,605
Fund balance – beginning of year			<u>530,956</u>	
Fund balance – end of year			<u>\$ 572,961</u>	

The notes to the financial statements are an integral part of this statement.

**PALMYRA TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

CEMETERY OPERATING SPECIAL REVENUE FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL**

For the Year Ended March 31, 2008

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
Revenues:				
Lot sales and fees	\$ 1,000	\$ 1,000	\$ 375	\$ (625)
Interest	<u>10</u>	<u>10</u>	<u>9</u>	<u>(1)</u>
Total revenues	<u>1,010</u>	<u>1,010</u>	<u>384</u>	<u>(626)</u>
Expenditures:				
Cemetery operating expenses	<u>12,247</u>	<u>12,247</u>	<u>14,028</u>	<u>(1,781)</u>
Excess (deficiency) of revenues over (under) expenditures	(11,237)	(11,237)	(13,644)	(2,407)
Other financing sources:				
Transfers in	<u>13,000</u>	<u>13,000</u>	<u>15,040</u>	<u>2,040</u>
Net change in fund balance	1,763	1,763	1,396	(367)
Fund balance – beginning of year			<u>29</u>	
Fund balance – end of year			<u>\$ 1,425</u>	

The notes to the financial statements are an integral part of this statement.

**PALMYRA TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

DEBT SERVICE FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL**

For the Year Ended March 31, 2008

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
Revenues:				
Special assessments	\$ 32,000	\$ 32,000	\$ 31,725	\$ (275)
Interest	<u>12,000</u>	<u>12,000</u>	<u>11,313</u>	<u>(687)</u>
Total revenues	44,000	44,000	43,038	(962)
Expenditures:				
Debt service	<u>35,968</u>	<u>35,968</u>	<u>35,968</u>	<u>-</u>
Net change in fund balance	8,032	8,032	7,070	(962)
Fund balance – beginning of year			<u>30,819</u>	
Fund balance – end of year			<u>\$ 37,889</u>	

The notes to the financial statements are an integral part of this statement.

**PALMYRA TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

STATEMENTS OF NET ASSETS

PROPRIETARY FUND

March 31, 2008 and 2007

	Business-Type Activities – Enterprise Fund	
	<u>2008</u>	<u>2007</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 424,739	\$ 497,995
Receivables:		
Special assessment	<u>31,317</u>	<u>32,379</u>
Total current assets	<u>456,056</u>	<u>530,374</u>
Noncurrent assets:		
Special assessment receivable	<u>1,994,401</u>	<u>2,128,702</u>
Capital assets:		
Sewer system	3,065,700	2,908,687
Less: Accumulated depreciation	<u>(225,911)</u>	<u>(151,232)</u>
Total capital assets	<u>2,839,789</u>	<u>2,757,455</u>
Total assets	<u>\$ 5,290,246</u>	<u>\$ 5,416,531</u>
LIABILITIES:		
Current liabilities:		
Bonds payable	35,766	34,772
Loan payable – SRF	<u>90,000</u>	<u>90,000</u>
Total current liabilities	<u>125,766</u>	<u>124,772</u>
Noncurrent liabilities:		
Bonds payable	719,294	755,060
Loan payable – SRF	1,376,988	1,466,988
Deferred special assessments	<u>2,013,398</u>	<u>2,161,081</u>
Total noncurrent liabilities	<u>4,109,680</u>	<u>4,383,129</u>
Total liabilities	<u>4,235,446</u>	<u>4,507,901</u>
NET ASSETS:		
Invested in capital assets, net of related debt	617,741	410,635
Unrestricted	<u>437,059</u>	<u>497,995</u>
Total net assets	<u>\$ 1,054,800</u>	<u>\$ 908,630</u>

The notes to the financial statements are an integral part of this statement.

**PALMYRA TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUND

For the Years Ended March 31, 2008 and 2007

	Business-Type Activities – Enterprise Fund	
	<u>2008</u>	<u>2007</u>
Operating revenues:		
Sewer usage fee	\$ 22,252	\$ 40,569
Total operating revenues	<u>22,252</u>	<u>40,569</u>
Operating expenses:		
Operation and maintenance expense	13,380	34,477
Depreciation	74,680	72,717
Miscellaneous	<u>(9,123)</u>	<u>47</u>
Total operating expenses	<u>78,937</u>	<u>107,241</u>
Operating loss	<u>(56,685)</u>	<u>(66,672)</u>
Nonoperating revenues (expenses):		
Special assessments	164,630	115,469
Interest income	107,134	101,671
Interest expense	<u>(68,909)</u>	<u>(72,187)</u>
Total nonoperating revenues (expenses)	<u>202,855</u>	<u>144,953</u>
Change in net assets	146,170	78,281
Total net assets – beginning of year	<u>908,630</u>	<u>830,349</u>
Total net assets – end of year	<u>\$ 1,054,800</u>	<u>\$ 908,630</u>

The notes to the financial statements are an integral part of this statement.

**PALMYRA TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

STATEMENTS OF CASH FLOWS

PROPRIETARY FUND

For the Years Ended March 31, 2008 and 2007

DECREASE IN CASH AND CASH EQUIVALENTS

	Business-Type Activities – Enterprise Fund	
	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Cash received from customers	\$ 22,252	\$ 40,569
Cash paid to suppliers and employees	<u>(4,257)</u>	<u>(34,524)</u>
Net cash provided by operating activities	<u>17,995</u>	<u>6,045</u>
Cash flows from capital and related financing activities:		
Special assessments	152,310	151,611
Capital expenditures	(157,014)	
Bonds/loan paid off	(124,772)	(123,780)
Interest expense	<u>(68,909)</u>	<u>(72,187)</u>
Net cash used in capital and related financing activities	<u>(198,385)</u>	<u>(44,356)</u>
Cash flows from investing activities:		
Interest income	<u>107,134</u>	<u>101,671</u>
Net cash provided by investing activities	<u>107,134</u>	<u>101,671</u>
Increase (decrease) in cash and cash equivalents	(73,256)	63,360
Cash and cash equivalents – beginning of year	<u>497,995</u>	<u>434,635</u>
Cash and cash equivalents – end of year	<u>\$ 424,739</u>	<u>\$ 497,995</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating loss	\$ (56,685)	\$ (66,672)
Adjustments to reconcile net operating loss to net cash provided by operating activities:		
Depreciation expense	<u>74,680</u>	<u>72,717</u>
Total adjustments	<u>74,680</u>	<u>72,717</u>
Net cash provided by operating activities	<u>\$ 17,995</u>	<u>\$ 6,045</u>

The notes to the financial statements are an integral part of this statement.

PALMYRA TOWNSHIP
LENAWEE COUNTY, MICHIGAN

STATEMENTS OF NET ASSETS

FIDUCIARY FUND

March 31, 2008 and 2007

		<u>AGENCY FUND</u>	
		<u>Tax Account</u>	
		<u>2008</u>	<u>2007</u>
ASSETS:			
Cash		\$ 5	\$ 5
Total assets		<u>\$ 5</u>	<u>\$ 5</u>
LIABILITIES:			
Due to other funds		\$ 5	\$ 5
Total liabilities		<u>\$ 5</u>	<u>\$ 5</u>

The notes to the financial statements are an integral part of this statement.

PALMYRA TOWNSHIP
LENAWEE COUNTY, MICHIGAN

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FIDUCIARY FUND – TAX ACCOUNT

For the Year Ended March 31, 2008

	Balance April 1, 2007	Additions	Deletions	Balance March 31, 2008
<u>ASSETS:</u>				
Cash	\$ 5	\$ 1,027,912	\$ 1,027,912	\$ 5
Total assets	\$ 5	\$ 1,027,912	\$ 1,027,912	\$ 5
<u>LIABILITIES:</u>				
Due to other funds	\$ 5	\$ 1,027,912	\$ 1,027,912	\$ 5
Total liabilities	\$ 5	\$ 1,027,912	\$ 1,027,912	\$ 5

The notes to the financial statements are an integral part of this statement.

**PALMYRA TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Palmyra Township, Lenawee County, Michigan (the "Township") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units.

Effective April 1, 2004, Palmyra Township, Lenawee County, Michigan implemented the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Significant changes in the statement include the following:

- ◆ A Management's Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations has been included with the financial statements.
- ◆ Financial statements prepared using full accrual accounting for all of the Township's activities.
- ◆ A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). Palmyra Township has elected to implement the general provisions of the statement.

A. Reporting Entity

The Township of Palmyra is a noncharter township, governed by a Board of Trustees. As required by generally accepted accounting principles, these financial statements present Palmyra Township as a primary government. There are no component units to the Township.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary fund, and fiduciary fund, even though the latter are excluded from the government-wide financial statements. Major governmental funds and a major enterprise fund are reported as separate columns in the fund financial statements.

PALMYRA TOWNSHIP
LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Amounts due from other governments and services provided associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *General Fund* is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

The *Special Revenue Fund* is used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specific purposes.

The *Debt Service Fund* accounts for the servicing of general long-term debt and not being financed by Proprietary or Nonexpendable Trust Funds.

The *Permanent Fund (Cemetery Perpetual Care)* is used to account for revenues received which are held in perpetuity and income derived is restricted for the care and operations of the cemetery.

The government reports the following major proprietary fund:

The *Sewer Fund* accounts for the acquisition, operation, and maintenance of the Township's sewer system.

**PALMYRA TOWNSHIP
LENAWEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS**

March 31, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Additionally, the government reports the following fund types:

The *Fiduciary Funds – Trust and AgencyType Funds* are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The *Agency Fund (Tax Account)* is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities (Sewer Fund), subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments of utility charges between the Township's sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various function concerned.

Amounts reported as *program revenues* included 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

The Proprietary Fund distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer Fund relate to charges to customers for sales and services. Operating expenses for this fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**PALMYRA TOWNSHIP
LENAWEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2008**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, liabilities, and net assets or equity.

1. Cash and investments

Cash includes amounts in cash on hand, demand deposits, except those deposits noted as investments (see below), as well as short-term investments with a maturity date within three months of the date acquired by the government.

Investments include money market and certificates of deposit where the intent is to hold funds long-term, as well as investments with maturity dates over three months of the date acquired by the government.

State statutes authorize the government to invest in Obligations of the U.S. Treasury, Federal Agencies, commercial paper, corporate bonds, repurchase agreements, and State approved Investment Pools.

Investments are stated at cost or amortized cost. The Township will use amortized cost only when it reflects fair value of the investment. Currently, no investments are stated at amortized cost.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. The Township had no advances between funds at March 31, 2008.

Personal property taxes receivable is shown net of an allowance for uncollectibles.

Properties are assessed as of December 31 and the tax levy is December 1 of the following year. The tax levy of December 1, 2007 is revenue in the Township's fiscal year ended March 31, 2008.

The Township had a general tax millage of .9259 for 2007. The Township's maximum allowable millage is 1.000 mills.

**PALMYRA TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital Assets

Capital assets, which include land, buildings, furniture and equipment, fire vehicles and equipment, and sewer system) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Buildings, equipment, and sewer system of the Township are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Equipment and furniture	10 – 20
Fire vehicles	10 – 20
Fire equipment	10 – 20
Sewer system	40

4. Long-term obligations

In the governmental-wide financial statements and the proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

5. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

**PALMYRA TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

The accounting basis used by the Township for budgeting is in accordance with accounting principles generally accepted in the United States of America (GAAP).

The Township follows the budgetary procedures outlined by the State of Michigan including public hearings and proper adoption. All funds of the Township have a budget. All annual appropriations lapse at fiscal year end. The budgets are amended during the year as needed.

B. Excess of expenditures over appropriations in budgetary funds

P.A. 621 of 1978, Section 18(1), as amended, of the State of Michigan provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on an activity basis. The approved budgets of the Township for these budgetary funds were adopted to the activity level.

During the year ended March 31, 2008, the Township incurred expenditures in the General Fund which were in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund			
General Government:			
Supervisor	\$ 10,500	\$ 11,545	\$ (1,045)
Clerk	10,500	12,028	(1,528)
Treasurer	10,500	12,616	(2,116)
Community building	8,500	12,803	(4,303)
Zoning	3,500	3,731	(231)
Ordinance enforcement	3,500	4,036	(536)
Election		1,143	(1,143)
Board of Review	600	1,415	(815)
Public Safety:			
Fire Department and Ambulance Services	108,000	133,282	(25,282)

These additional expenditures were funded by the fund balance of the General Fund.

**PALMYRA TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE 3. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Primary Government

Deposits. At year end, the carrying value of the Township's deposits was \$616,800 and the bank balance was \$623,507. The total bank balance is classified in the following three categories of credit risk: (1) Insured or collateralized with securities held by the Township or by its agent in the Township's name. (2) Collateralized with securities held by a pledging financial institution's trust department or agent in the Township's name. (3) Uncollateralized. (This includes any bank balance that is collateralized with securities held by a pledging financial institution or by its trust department or agent but not in the Township's name.)

Due to higher cash flows during certain times of the year, especially when property taxes are being collected, deposits of the Township increase significantly. As a result, the amounts classified in category 3 at those times of year were substantially higher than at year end.

<u>CATEGORIES</u>				
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Total</u>
Checking	\$ 111,877	\$ -	\$ 511,630	\$ 623,507

Bank balances shown in Category 1 are insured by Federal Depository Insurance.

All deposits are with banks located in Michigan as required by statutes.

Primary Government

Investments. The Township's investments are classified in the following three categories of credit risk: (1) Insured or registered, or securities held by the Township or its agent in the Township's name. (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Township's name. (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Township's name.

**PALMYRA TOWNSHIP
LENAWEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS**

March 31, 2008

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

The Township had investments with carrying value of \$456,008 at year end.

	<u>CATEGORIES</u>			
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Total</u>
U.S. Savings Bonds	\$ 44,000	\$	\$	\$ 44,000
Certificate of Deposit, 4.9%, due 8-29-08	100,000		160,297	260,297
Certificate of Deposit, 5.24% due 7/15/08	100,000		4,724	104,724
Certificate of Deposit, 5.24% due 7/15/08			46,987	46,987
Total	<u>\$ 244,000</u>	<u>\$ -</u>	<u>\$ 212,008</u>	<u>\$ 456,008</u>

The Township is subject to custodial credit risk and also concentration of credit risk on its deposits and investments because a majority of deposits and investments are with one bank and a large portion of the value is uninsured.

B. Receivables

Receivables as of year end for the government's individual major and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Debt Service</u>	<u>Sewer Fund</u>	<u>Total</u>
Receivables:				
Taxes	\$ 4,755	\$	\$	\$ 4,755
Accounts	9,185			9,185
Special Assessments		157,138	2,025,718	2,182,856
Intergovernmental	15,936			15,936
Sewer Projects	14,454			14,454
Gross receivables	44,330	157,138	2,025,718	2,227,186
Less: Allowance for uncollectibles	<u>(3,268)</u>			<u>(3,268)</u>
Net total receivables	<u>\$ 41,062</u>	<u>\$ 157,138</u>	<u>\$ 2,025,718</u>	<u>\$ 2,223,918</u>

**PALMYRA TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital assets

Capital asset activity for the year ended March 31, 2008 was as follows:

Primary Government

	<u>Balance April 1, 2007</u>	<u>Acquisitions</u>	<u>Dispositions</u>	<u>Balance March 31, 2008</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 93,898	\$ -	\$ -	\$ 93,898
Capital assets, being depreciated:				
Building and improvements	141,280			141,280
Furniture and equipment	11,925			11,925
Fire vehicles	398,140			398,140
Fire equipment	152,102			152,102
Total capital assets, being depreciated	<u>703,447</u>	<u>-</u>	<u>-</u>	<u>703,447</u>
Less: Accumulated depreciation for:				
Buildings and improvements	131,486	271		131,757
Furniture and equipment	6,769	1,151		7,920
Fire vehicles	258,808	14,005		272,813
Fire equipment	59,876	8,555		68,431
Total accumulated depreciation	<u>456,939</u>	<u>23,982</u>	<u>-</u>	<u>480,921</u>
Total capital assets, being depreciated, net	<u>246,508</u>	<u>(23,982)</u>	<u>-</u>	<u>222,526</u>
Governmental activities, capital assets – net	<u>\$ 340,406</u>	<u>\$ (23,982)</u>	<u>\$ -</u>	<u>\$ 316,424</u>

**PALMYRA TOWNSHIP
LENAWEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2008**

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

	<u>Balance April 1, 2007</u>	<u>Acquisitions</u>	<u>Dispositions</u>	<u>Balance March 31, 2008</u>
Business-type activities:				
Capital assets, being depreciated:				
Sewer system	\$ 2,908,687	\$ 157,013	\$ _____	\$ 3,065,700
Total capital assets, being depreciated	<u>2,908,687</u>	<u>157,013</u>	<u>-</u>	<u>3,065,700</u>
Less: Accumulated depreciation for:				
Sewer system	<u>151,231</u>	<u>74,680</u>	<u>_____</u>	<u>225,911</u>
Total accumulated depreciation	<u>151,231</u>	<u>(74,680)</u>	<u>-</u>	<u>225,911</u>
Total capital assets, being depreciated – net	<u>\$ 2,757,456</u>	<u>\$ 82,333</u>	<u>\$ -</u>	<u>\$ 2,839,789</u>

Depreciation expense charged to functions is as follows:

Governmental activities:	
General Government	\$ 1,422
Public Safety	<u>22,560</u>
Total depreciation expense – governmental activities	<u>\$ 23,982</u>
Business-type activities:	
Sewer system	<u>\$ 74,680</u>
Total depreciation expense – business-type activities	<u>\$ 74,680</u>

**PALMYRA TOWNSHIP
LENAWEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS**

March 31, 2008

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund receivables, payables, and transfers

Primary Government

Due to/from other funds:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Cemetery operating	\$ 1,550	General	\$ 1,550
General	<u>5</u>	Tax account	<u>5</u>
	<u>\$ 1,555</u>		<u>\$ 1,555</u>

Interfund transfers:

Transfers out:

General Fund
Cemetery Perpetual Care

Transfers In

**Cemetery
Operating**

\$ 12,000
3,040
\$ 15,040

The purpose of these transfers was to support operations of the cemetery.

**PALMYRA TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE 4. RESTRICTED FUNDS

Fire Department Funds - Fire Department Funds are funded by donations from third parties for Fire Department related activity. Expenditures are made only after consulting the Palmyra Fire Department.

The activity of the Funds for 2007-08 was:

	<u>Fire Department Donations</u>	<u>Fire Apparatus And Operating</u>	<u>Fire Department Savings</u>	<u>DIRMRC RL Code Project</u>
Balance - April 1, 2007	\$ 7,196	\$ 78,752	\$ 551	\$ 582
Donation/project income	2,000			
Equipment purchases	<u>(2,941)</u>	<u> </u>	<u> </u>	<u>(90)</u>
Balance - March 31, 2008	<u>\$ 6,255</u>	<u>\$ 78,752</u>	<u>\$ 551</u>	<u>\$ 492</u>

Impact Fees Fund - The Impact Fees Fund is funded by fees collected from the landfill operator in Palmyra Township. The funds collected are to be expended for the public health, safety, or welfare of the citizens of the Township.

The activity in this Fund for 2007-08 was:

Balance - April 1, 2007	\$ 426,846
Fees collected	84,277
Expenses	<u>(122,202)</u>
Balance - March 31, 2008	<u>\$ 388,921</u>

The **State Right of Way Fund** is funded by contributions from utility companies under the Metro Act.

Balance - April 1, 2007	\$ 10,399
Annual maintenance fee	<u>3,412</u>
Balance - March 31, 2008	<u>\$ 13,811</u>

**PALMYRA TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE 5. LONG-TERM DEBT

Palmyra Township has issued bonds to construct a water system in a subdivision (Manor Farms) of the Township. The water system is owned, operated, and maintained by Lenawee County. This bond issue of \$300,000, dated July 1, 1996, is to be fully funded by special assessments. The Township has pledged its full faith and credit as secondary funding.

Palmyra Township has issued bonds for the construction of a sewer system located on East Maumee Street and Parr Highway. The bond issue of \$155,000, dated April 1, 1997, is to be fully funded by special assessment. The Township has pledged its full faith and credit as secondary funding. The sewer system is owned, operated, and maintained by Lenawee County.

The Debt Service requirements of the \$300,000 Bond Issue are as follows:

TOWNSHIP OF PALMYRA, MICHIGAN

1996 SPECIAL ASSESSMENT BONDS

(MANOR FARMS)

(LIMITED TAX GENERAL OBLIGATION)

Year Ended March 31,	Principal Paid	Interest Rate	Interest Paid	Total
2009	\$ 20,000	5.25	\$ 6,038	\$ 26,038
2010	15,000	5.25	4,988	19,988
2011	15,000	5.25	4,200	19,200
2012	15,000	5.35	3,478	18,478
2013	15,000	5.40	2,700	17,700
2014	15,000	5.45	1,908	16,908
2015	15,000	5.50	1,100	16,100
2016	<u>5,000</u>	5.60	<u>280</u>	<u>5,280</u>
	<u>\$ 115,000</u>		<u>\$ 24,692</u>	<u>\$ 139,692</u>

**PALMYRA TOWNSHIP
LENAWEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008**

NOTE 5. LONG-TERM DEBT (Continued)

The Debt Service requirements of the \$155,000 Bond Issue are as follows:

**TOWNSHIP OF PALMYRA, MICHIGAN
SPECIAL ASSESSMENT BONDS
(APRIL 1, 1997)
(LIMITED TAX GENERAL OBLIGATION)**

Year Ended March 31,	Principal Paid	Interest Rate	Interest Paid	Total
2009	\$ 10,000.00	.0530	\$ 3,765.00	\$ 13,765.00
2010	5,000.00	.0530	3,367.50	8,367.50
2011	10,000.00	.0530	2,970.00	12,970.00
2012	10,000.00	.0535	2,440.00	12,440.00
2013	5,000.00	.0545	2,041.25	7,041.25
2014	10,000.00	.0545	1,635.00	11,635.00
2015	10,000.00	.0545	1,090.00	11,090.00
2016	5,000.00	.0545	681.25	5,681.25
2017	5,000.00	.0545	408.75	5,408.75
2018	<u>5,000.00</u>	.0545	<u>136.25</u>	<u>5,136.25</u>
	<u>\$ 75,000.00</u>		<u>\$ 18,535.00</u>	<u>\$ 93,535.00</u>

Palmyra Township is involved in the acquiring and construction of a sewer system known as the Central Lenawee Sewage Disposal System which is located in the Township of Palmyra and in the Charter Township of Madison. Each Township will own their respective portion of the System.

The Central Lenawee Sewage Disposal System is being funded by two separate debt obligations involving Palmyra Township.

One debt obligation is a bond issue totaling \$4,410,000 of which Palmyra Township is responsible for 19.87% of the debt service obligation. The other is a loan from the State Revolving Fund (SRF) totaling \$1,875,000 for which Palmyra Township is totally responsible.

Both debts will be paid through special assessments levied by the Township.

**PALMYRA TOWNSHIP
LENAWEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008**

NOTE 5. LONG-TERM DEBT (Continued)

**COUNTY OF LENAWEЕ, STATE OF MICHIGAN
SEWAGE DISPOSAL BONDS, SERIES 2003A
(CENTRAL LENAWEЕ SEWAGE DISPOSAL SYSTEMS)
(MAY 1, 2003)**

The Township's Debt Service requirements of the \$4,410,000 Bond Issue. Palmyra Township's portion (19.87%) is shown on the schedule below.

Year Ended March 31,	October 1 Principal	April 1 Interest	October 1 Interest	Total
2008	\$ 34,772.50	\$ 15,815.28	\$ 15,815.28	\$ 66,403.06
2009	35,766.00	15,293.69	15,293.69	66,353.38
2010	35,766.00	14,712.49	14,712.49	65,190.98
2011	37,753.00	14,108.94	14,108.94	65,970.88
2012	38,746.50	13,471.86	13,471.86	65,690.22
2013	39,740.00	12,793.80	12,793.80	65,327.60
2014	41,727.00	12,068.54	12,068.54	65,864.08
2015	43,714.00	11,286.16	11,286.16	66,286.32
2016	44,707.50	10,444.67	10,444.67	65,596.84
2017	46,694.50	9,561.69	9,561.69	65,817.88
2018	48,681.50	8,616.13	8,616.13	65,913.76
2019	50,668.50	7,605.99	7,605.99	65,880.48
2020	52,655.50	6,529.28	6,529.28	65,714.06
2021	55,636.00	5,384.02	5,384.02	66,404.04
2022	58,616.50	4,160.03	4,160.03	66,936.56
2023	60,603.50	2,841.16	2,841.16	66,285.82
2024	<u>63,584.00</u>	<u>1,462.43</u>	<u>1,462.43</u>	<u>66,508.86</u>
	<u>\$ 789,832.50</u>	<u>\$ 166,156.16</u>	<u>\$ 166,156.16</u>	<u>\$ 1,122,144.82</u>

**PALMYRA TOWNSHIP
LENAWEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008**

NOTE 5. LONG-TERM DEBT (Continued)

**PALMYRA TOWNSHIP, MICHIGAN
STATE REVOLVING FUND (SRF) LOAN
PROJECT 5174-01
(JUNE 26, 2003)**

The Debt Service requirements of the \$1,875,000 loan (current balance \$1,556,988 at March 31, 2008) are as follows:

<u>Year Ended March 31,</u>	<u>October 1 Principal</u>	<u>April 1 Interest</u>	<u>October 1 Interest</u>	<u>Total</u>
2008	\$ 90,000.00	\$ 17,922.64	\$ 17,922.64	\$ 125,845.28
2009	90,000.00	16,797.64	16,797.64	123,595.28
2010	95,000.00	15,672.64	15,672.64	126,345.28
2011	95,000.00	14,485.14	14,485.14	123,970.28
2012	95,000.00	13,297.64	13,297.64	121,595.28
2013	95,000.00	12,110.14	12,110.14	119,220.28
2014	95,000.00	10,922.64	10,922.64	116,845.28
2015	95,000.00	9,735.14	9,735.14	114,470.28
2016	95,000.00	8,547.64	8,547.64	112,095.28
2017	95,000.00	7,360.14	7,360.14	109,720.28
2018	95,000.00	6,172.64	6,172.64	107,345.28
2019	95,000.00	4,985.14	4,985.14	104,970.28
2020	95,000.00	3,797.64	3,797.64	102,595.28
2021	95,000.00	2,610.14	2,610.14	100,220.28
2022	95,000.00	1,422.64	1,422.64	97,845.28
2023	95,000.00	235.14	235.14	95,470.28
2024	<u>46,988.00</u>	<u>(952.36)</u>	<u>(952.36)</u>	<u>45,083.28</u>
	<u>\$ 1,556,988.00</u>	<u>\$ 145,122.38</u>	<u>\$ 145,122.38</u>	<u>\$ 1,847,232.76</u>

**PALMYRA TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2008

NOTE 5. LONG-TERM DEBT (Continued)

The schedule of long-term liability activity is as follows:

	<u>Water Fund 1996 Special Assessment Bonds</u>	<u>Sewer Fund 1997 Special Assessment Bonds</u>	<u>Sewer Fund Sewage Disposal Bonds Series 2003A</u>	<u>Sewer Fund SRF Loan</u>	<u>Total</u>
Balance – April 1, 2007	\$130,000	\$ 85,000	\$ 789,832	\$1,556,988	\$2,561,820
Increases					
Decreases	<u>(15,000)</u>	<u>(10,000)</u>	<u>(34,773)</u>	<u>(90,000)</u>	<u>(149,773)</u>
Balance – March 31, 2008	115,000	75,000	755,059	1,466,988	2,412,047
Less: Current portion	<u>(20,000)</u>	<u>(10,000)</u>	<u>(35,766)</u>	<u>(90,000)</u>	<u>(155,766)</u>
Total due after one year	<u>\$ 95,000</u>	<u>\$ 65,000</u>	<u>\$ 719,293</u>	<u>\$1,376,988</u>	<u>\$2,256,281</u>

Total long term debt obligations at March 31, 2008 were as follows:

<u>Year Ended March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 155,766	\$ 70,174	\$ 225,940
2010	150,766	74,709	225,475
2011	157,753	65,146	222,899
2012	158,747	60,180	218,927
2013	154,740	54,548	209,288
2014-2018	770,524	189,431	959,955
2019-2023	753,180	79,142	832,322
2024	<u>110,571</u>	<u>1,020</u>	<u>111,591</u>
	<u>\$ 2,412,047</u>	<u>\$ 594,350</u>	<u>\$ 3,006,397</u>

**PALMYRA TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

COMBINING BALANCE SHEET

DEBT SERVICE FUND

**March 31, 2008
With Comparative Totals for March 31, 2007**

<u>ASSETS</u>	<u>Manor Farms</u>	<u>Maumee Street and Parr Highway</u>	<u>Totals (Memorandum Only)</u>	
			<u>2008</u>	<u>2007</u>
Cash	\$ 27,312	\$ 10,577	\$ 37,889	\$ 30,819
Special assessment receivable	94,179	59,616	153,795	184,008
Delinquent special assessment receivable	<u>2,763</u>	<u>580</u>	<u>3,343</u>	<u>5,114</u>
Total assets	<u>\$ 124,254</u>	<u>\$ 70,773</u>	<u>\$ 195,027</u>	<u>\$ 219,941</u>
<u>LIABILITIES AND FUND EQUITY</u>				
Deferred revenue - special assessment	<u>\$ 96,942</u>	<u>\$ 60,196</u>	<u>\$ 157,138</u>	<u>\$ 189,122</u>
Total liabilities	96,942	60,196	157,138	189,122
Fund balance – restricted	<u>27,312</u>	<u>10,577</u>	<u>37,889</u>	<u>30,819</u>
Total liabilities and fund equity	<u>\$ 124,254</u>	<u>\$ 70,773</u>	<u>\$ 195,027</u>	<u>\$ 219,941</u>

**PALMYRA TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES**

DEBT SERVICE FUNDS

**For the Year Ended March 31, 2008
With Comparative Totals for March 31, 2007**

	<u>Manor Farms</u>	<u>Maumee Street and Parr Highway</u>	<u>Totals (Memorandum Only)</u>	
			<u>2008</u>	<u>2007</u>
Revenues:				
Special assessment revenue	\$ 17,485	\$ 14,240	\$ 31,725	\$ 15,240
Interest	<u>7,149</u>	<u>4,164</u>	<u>11,313</u>	<u>12,580</u>
Total revenues	<u>24,634</u>	<u>18,404</u>	<u>43,038</u>	<u>27,820</u>
Expenditures:				
Interest and principal	21,940	14,030	35,970	57,396
Miscellaneous	<u>(1)</u>	<u>(1)</u>	<u>(2)</u>	<u>24</u>
Total expenditures	<u>21,939</u>	<u>14,029</u>	<u>35,968</u>	<u>57,420</u>
Increase (deficiency) of revenues over (under) expenditures	2,695	4,375	7,070	(29,600)
Fund balances - beginning of year	<u>24,617</u>	<u>6,202</u>	<u>30,819</u>	<u>60,419</u>
Fund balances - end of year	<u>\$ 27,312</u>	<u>\$ 10,577</u>	<u>\$ 37,889</u>	<u>\$ 30,819</u>

See independent auditors' report.

August 11, 2008

Board of Trustees
Palmyra Township
Lenawee County, Michigan

We appreciate the opportunity to conduct your audit this year. We are writing to you as we complete the audit to communicate any control deficiencies we identified during the audit and whether these deficiencies (if any) are determined to be significant deficiencies or material weaknesses.

In planning and performing our audit of the financial statements of Palmyra Township, for period ending March 31, 2008, we applied generally accepted auditing standards (GAAS) as we considered your internal control over financial reporting as a basis for designing our auditing procedures. We did this for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of your internal controls. Accordingly, as a part of your audit, we are not expressing an opinion on the effectiveness of your internal control.

Our consideration of internal control was for the limited purpose of conducting your organization's audit and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. It is important to note that control deficiencies are not necessarily problems you will choose to address; however, they do represent potential risks. Our job as your auditors is to ensure that you understand where you have these deficiencies or weaknesses so that you can make informed business decisions on how best to respond to these risks.

Significant Deficiencies

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects your entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of your financial statements that is more than inconsequential will not be prevented or detected by your internal control. During our audit we found two significant deficiencies in internal control.

Materials Weaknesses

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by your internal control. During our audit we found no material weaknesses.

Finding - 1

Finding considered a significant deficiency

Criteria:

Effective for the year ended March 31, 2008, Statement on Auditing Standards #112 titled *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a client requires assistance to prepare the footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

Board of Trustees
Palmyra Township
Lenawee County, Michigan

Condition

Currently, Township officials prepare the interim financial reports and assists the external auditor in the preparation of the annual audit report.

Cause

The Township does understand all information included in the annual financial statements; however, assistance of the external auditor was utilized in preparing the footnotes to the financial statements.

Effect

Utilization of the external auditor in preparing the footnotes to the financial statements assists management with the external financial reporting responsibility, to ensure their financial statements are accurate.

Recommendation

At this time, we recommend no changes to this situation and communicate this as required by professional standards. The current process meets the definition of a significant deficiency as defined in Statement on Auditing Standards #112.

Client Response

We are aware of this deficiency and believe it is not cost beneficial in our situation to develop this expertise. We will continue to use our external auditors for this technical assistance. We would expect this situation to be ongoing in future years.

Finding -2

Finding considered a significant deficiency

Criteria:

Effective for the year ended March 31, 2008, Statement on Auditing Standards #112 titled *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate in writing to management and those charged with governance, significant deficiencies and material weaknesses identified in an audit.

Condition

Currently there is limited segregation of conflicting duties of initiating transactions, and the recording of those transactions

Cause

The Township has a limited number of personnel.

Effect

Segregation of duties would provide another measure of internal control to provide the ability of the Organization to determine, in a reasonable amount of time, whether all transactions initiated are recorded and reported timely and accurately.

Page 3

Board of Trustees
Palmyra Township
Lenawee County, Michigan

Recommendation

The Township should consider additional personnel or realigning personnel to promote enhancement of better internal control through having appropriate segregation of duties.

Client Response

Because of limited economic resources, it is not practical to hire additional staff for internal control purposes. The current system we think is adequate.

Robertson, Eaton & Owen P.C.
August 11, 2008